

<p align="center">STATE OF MONTANA</p> <p align="center">COMPLIANCE SUPPLEMENT FOR AUDITS OF</p> <p align="center">LOCAL GOVERNMENT ENTITIES</p>	REF: COM-3
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<p>PROGRAM/SUBJECT: Hard Rock Mining Impact Trust Account -</p> <p align="center">Funds Transferred to Counties</p>	

FEDERAL GRANTOR AGENCY: Not Applicable

TYPES OF RECIPIENTS: Counties

SOURCE OF AUTHORIZATION
AND REGULATIONS: Sections 15-37-117, 90-6-304, 90-6-331, and 7-6-2225, MCA

INFORMATION CONTACT: Montana Department of Commerce
Hard-Rock Mining Impact Board
Name: Joe LaForest
Phone Number: (406) 841-2789

I. PROGRAM OBJECTIVES:

The Hard Rock Mining Impact Trust Account funds are to be used by the counties when a mine closes or when there is a reduction in the full-time employees employed by the mine.

II. PROGRAM PROCEDURES:

The Hard-Rock Mining Impact Board, which is allocated to the Department of Commerce for administrative purposes, receives 2.5% of the metalliferous mines license tax as provided by Section 15-37-117(1)(b), MCA. This money is deposited to the State Hard-Rock Mining Impact Trust Account. Out of this account the Board must pay administrative and operating expenses of the Board. In addition, a reserve amount of not to exceed \$100,000 is to be maintained. The remaining money must be segregated within the account by county of origin, as provided by Section 90-6-304(3). Prior to October 1 of each year, all money segregated by county in the Hard-Rock Mining Impact Trust Account as of September 1 must be transferred to the county for which the funds have been held in deposit. Counties receiving these funds must deposit them in the county hard-rock mine trust account.

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III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:

1. Compliance Requirements:

- The money received by a county from the State Hard-Rock Mining Impact Trust Account may not be appropriated by the governing body until:
 - a. a mining operation has permanently ceased all mining related activity; or
 - b. the number of persons employed full-time in mining activities by the mining operation is less than one-half of the average number of persons employed full-time in mining activities by the mining operation during the immediately preceding 5-year period.
- (Section 7-6-2225(2), MCA)
- If there is a mine closure or a reduction in the mining work force which meets the above conditions, the governing body of the county must allocate at least one-third of the funds proportionally to affected high school districts and elementary school districts in the county. (Section 7-6-2225(3), MCA)
- The remaining money in the county hard-rock mine trust account, after the allocation to the schools, is to be used for the following purposes:
 - a. to pay for outstanding capital project bonds or other expenses incurred prior to the end of mining activity or the reduction in the mining work force;
 - b. decrease property tax mill levies that are directly caused by the cessation or reduction of mining activity;
 - c. promote diversification and development of the economic base within the jurisdiction of a local government unit through assistance to existing business for retention and expansion, or to assist new business;
 - d. attract new industry to the impact area;
 - e. provide cash incentives for expanding the employment base of the area impacted by the changes in mining activity; or
 - f. provide grants or loans to other local government jurisdictions to assist with impacts caused by the changes in mining activity.

(Section 7-6-2225(3), MCA)

Suggested Audit Procedures:

- If money has been appropriated or expended from the county hard-rock mine trust account, determine that the required mine closure or reduction in the mining work force occurred.
- If money was expended from the account, determine that the county distributed at least one-third of the funds proportionally to affected high school districts and elementary school districts in the county.

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III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES:

Suggested Audit Procedures - continued:

- Test expenditures from the hard-rock mine trust account to determine that expenditures other than the required distributions to the school districts were for the allowable purposes described above.

2. Compliance Requirements:

- The Hard-Rock Mining Impact Trust Account money that is distributed to counties is to be deposited in a separate county hard-rock mine trust account (BARS Fund No. 2895). (Sections 90-6-331 and 7-6-2225, MCA)
- Money deposited in the account must be invested as provided by law and the interest and income from the investments are to be credited to the account. (Section 7-6-2225(5), MCA)

Suggested Audit Procedures:

- Review county treasurer receipts to determine if the county received funds from the State Hard-Rock Mining Impact Trust Account. **(NOTE: Normally received between September 1 and October 15.)**
- Verify that these moneys were deposited to the county hard-rock mine trust account (BARS Fund No. 2895). **(Note: The county may also receive metalliferous mines license tax apportionments directly from the Department of Revenue, which are deposited to this same fund. - See REV-7)**
- Test receipts to determine whether money deposited in the account was invested as provided by law and that the interest earned was credited to the account.